

## Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 OMB-01 EB-08 TRSE-00 LAB-04 AID-05 IO-13  
ACDA-07 COME-00 AGRE-00 /104 W  
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R 110828Z MAR 77  
FM AMEMBASSY PORT LOUIS  
TO SECSTATE WASHDC 6525  
INFO AMEMBASSY LONDON  
AMEMBASSY PARIS  
CINCUSNAVEUR  
COMIDEASTFOR

C O N F I D E N T I A L PORT LOUIS 0235

E.O. 11652: GDS  
LAGS: PFOR PINT ECON MP  
SUBJECT: MAURITIUS WEEKLY REVIEW - MARCH 11

REF: PORT LOUIS 0212

SUMMARY. PORT LOUIS 234 PROVIDES A SUMMARY OF THIS CABLE.  
END SUMMARY.

1. PRIME MINISTER RAMGOOLAM DEPARTED MAURITIUS ON MARCH 6,  
TAKING WITH HIM A STRONG DELEGATION TO ATTEND THE AFRO-ARAB  
SUMMIT CONFERENCE IN CAIRO, INCLUDING THE FINANCE AND FOREIGN  
MINISTERS, THE HEAD OF THE CIVIL SERVICE AND THE DIRECTOR OF  
PLANNING. RAM IS DUE BACK IN MAURITIUS ON MARCH 11 IN ORDER  
TO PRESIDE AT THE NINTH ANNIVERSARY OF INDEPENDENCE CEREMONIES  
THE NEXT DAY.

2. MAURITIAN MILITANT MOVEMENT (MMM) DEPUTIES ARE BOYCOTTING  
THE GOVERNMENT'S INDEPENDENCE ANNIVERSARY BANQUET AND WILL MIX  
WITH THE CROWDS RATHER THAN SIT IN THE OFFICIAL STANDS AT THE  
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MARCH 12 CELEBRATIONS. PARTY LEADER BERENGER SAYS THIS IS TO  
PROTEST THE LACK OF TRADE UNION AND WORKER REPRESENTATION ON  
THE ORGANIZING COMMITTEE.

3. THE SOVIET CRUISER "ADMIRAL FOSHIN" AND THE DESTROYER  
"ODARENENY" ALONG WITH A TANKER, ARE MAKING A VISIT TO PORT  
LOUIS FOR FOUR DAYS, INCLUDING THE MARCH 12 INDEPENDENCE

ANNIVERSARY. LE MILITANT INFORMED ALL MMM DEPUTIES THAT THEY ARE INVITED TO A RECEPTION ON BOARD THE SOVIET CRUISER ON MARCH 11 (INVITATION CARDS TO BE PICKED UP AT BERENGER'S HOUSE).

4. THE LABOR PARTY AND THE MAURITIAN SOCIAL DEMOCRATIC PARTY (PMSD) HAVE STILL NOT FINALIZED THEIR AGREEMENT FOR RUNNING TOGETHER IN THE APRIL 24 MUNICIPAL ELECTIONS. IT APPEARS THAT SOME SORT OF "COMMON LIST" IS PLANNED, OR SOME OTHER ARRANGEMENT BY WHICH THEY WILL OPPOSE THE MMM TOGETHER. THE LABOR PARTY IS REPORTED TO BE LOOKING FOR CANDIDATES NEW TO POLITICS TO RUN FOR THE MUNICIPAL COUNCIL SEATS.

5. A SMALL RIPPLE IN THE COALITION OCCURRED WHEN RAMGOOLAM TOLD A MEETING IN HIS DISTRICT THAT DESPITE THE PRESENCE OF THE PMSD IN THE COALITION, THE GOVERNMENT WAS CARRYING OUT THE PROGRAM OF THE LABOR PARTY. THE PMSD'S PAPER THEN REMINDED HIM THAT ONLY THE PRESENCE OF THE PMSD IN THE COALITION HAD PERMITTED RAM TO RETAIN HIS POST AS PRIME MINISTER, AND THIS IS NOT THE MOMENT FOR "STRAYING."

6. THE MMM-SP PARTY, EXTREME LEFT OFF-SHOOT OF THE MMM, HAS ANNOUNCED THAT IT WILL SUPPORT THE MMM IN THE MUNICIPAL ELECTIONS. THIS DECISION WAS TAKEN AT ITS NATIONAL ASSEMBLY ON FEBRUARY 27. THE PARTY RESERVES THE RIGHT TO CRITICIZE THE MMM. PARTY LEADER DEV VIRAHSAWMY EXPLAINED THE DECISION AS A "TACTICAL" ONE IN ORDER TO FIGHT THE "NUMBER ONE ENEMY," WHICH IS THE GOVERNMENT COALITION, AS THE MMM REPRESENTS THE "LESSER EVIL." VIRAHSAWMY AND BERENGER HAVE BEEN BITTER ENEMIES  
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FOR YEARS, SO THE DECISION WAS A SURPRISING ONE. IT IS ALSO LESS THAN EARTH-SHAKING, AS THE MMM-SP GAINED ONLY ONE PERCENT OF THE URBAN VOTE IN THE DECEMBER ELECTIONS.

7. A GREAT DEAL OF PRINTAR'S INK HAS FLOWED THIS WEEK AFTER THE LEFTIST LE MAURICIEN BLASTED CONSERVATIVE LE CERNEEN FOR HAVING PUBLISHED AN UNSIGNED ARTICLE WHICH USED THE TERMS "DRAVIDIAN" AND "SUBALTERN" WITH REFERENCE TO THE VICAR GENERAL OF THE MAURITIAN CATHOLIC DIOCESE, MONSIGNOR NAGAHEN, WHO IS OF INDIAN ETHNIC DESCENT. THE EDITOR OF THE CERNEEN TOOK FULL RESPONSIBILITY AND APOLOGIZED, BUT THE CONTROVERSY HAS NOT QUIETED DOWN, AS MANY CATHOLICS AND FRANCO-MAURITIANS HAVE DENOUNCED THE CERNEEN AND DISASSOCIATED THEMSELVES FROM ITS ALLEGED "RACISM," WHILE LE MAURICIEN HAS KEPT UP THE ATTACK. THE BISHOP, MONSIGNOR MARGEOT, IN A LETTER TO ALL CHURCH MEMBERS, HAS DEFENDED THE VICAR GENERAL AGAINST THESE "UNJUST ATTACKS WHICH ARE THE MORE BASE FOR BEING ANONYMOUS." THE INCIDENT EVIDENCES THE RACIAL ANIMOSITIES WHICH LIE JUST BELOW THE SURFACE IN MAURITIUS AND WHICH IN THIS CASE ARE AGGRAVATED BY POLITICAL

NOMPETITION BETWEEN THE LEFT AND THE RIGHT FOR THE ALLEGIANCE OF CATHOLICS AND THE SUPPORT OR TOLERANCE OF THE CHURCH HIERACHY.

8. THE CENTRAL BANK, THE BANK OF MAURITIUS, HAS ANNOUNCED ITS POLICIES FOR 1977 WHICH AIM AT REDUCING IMPORTS AND BRINGING THE BALANCE OF PAYMENTS INTO EQUILIBRIUM. IN ORDER TO RESTRAIN GROWTH IN THE MONEY SUPPLY, REDUCE PRESSURE ON THE BANK'S RESERVES AND DAMPEN INFLATION THE BANK WILL INSTITUTE POLICIES DESIGNED TO RESTRICT COMMERCIAL CREDIT, RAISE INTEREST RATES ON LOANS AND RAISE INTEREST PAID ON TIME DEPOSITS. CERTAIN SECTORS, SUCH AS THE EXPORT PROCESSING ZONE INDUSTRIES, WILL BE EXEMPTED FROM THESE MEASURES. THE BANK ANTICIPATES A FALL IN RESERVES OF FOREIGN EXCHANGE IN 1977 OWING TO A PROBABLE REDUCTION IN SUGAR EARNINGS AND A CONTINUED INCREASE IN DOMESTIC DEMAND FOR IMPORTS.

9. EFFECTIVE MARCH 5 IMPORTERS ARE BEING REQUIRED TO MAKE  
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BANK DEPOSITS AMOUNTING TO 50 PERCENT OF THEIR ORDERS. THE LEVEL WAS PREVIOUSLY 25 PERCENT. THE OBJECTIVES OF THE NEW MEASURE ARE TO: (A) REDUCE IMPORTS; (B) DAMPEN INFLATION; (C) RESTRICT GROWTH IN THE MONEY SUPPLY. THE DEPOSITS WILL EARN NO INTEREST AND WILL BE HELD FORTHREE MONTHS BY THE BANK OF MAURITIUS. IMPORTANT SECTORS SUCH AS GOVERNMENT, EXPORT INDUSTRIES, TRANSPORT AND ESSENTIAL COMMODITIES SUCH AS OIL, WERE ALL EXEMPTED IN ORDER NOT TO AFFECT ECONOMIC GROWTH AND JOB CREATION. LOCAL MERCHANTS ARE MOST DISTRESSED OVER THIS NEW MEASURE, ESPECIALLY THE SMALL IMPORTERS WHO LACK LIQUID CAPITAL.

10. FOR THE FIRST TIME IN HISTORY THE CHAMBER OF AGRICULTURE HAS DISCLOSED TO THE PUBLIC THE COST OF PRODUCING MAURITIAN SUGAR. THE PURPOSE OF THIS PUBLICITY WAS DOUBTLESS TO COUNTER THE IMPRESSION THAT HUGE PROFITS ARE MADE BY THE SUGAR PRODUCERS AND TO CONVINCE THE PUBLIC THAT CONTROLLABLE COSTS MUST BE HELD DOWN OR THE COUNTRY WILL SUFFER ECONOMIC DISASTER. THE CHAMBER SAYS THAT IN 1976 THE COST OF PRODUCING 3 TON OF SUGAR WAS 174 POUNDS STERLING AND THE AVERAGE PRICE RECEIVED WAS 178 POUNDS, A VERY NARROW PROFIT MARGIN. SINCE THE PRICE SITUATION DOES NOT LOOK FAVORABLE FOR 1977, EFFORTS MUST BE MADE TO KEEP PRODUCTION COSTS DOWN, THE CHAMBER SAYS. ITS FIGURES SHOW THAT PRODUCTION COSTS ROSE AT LESS THAN 5 PERCENT A YEAR PRIOR TO 1972, WHICH WAS AT ABOUT THE INFLATION RATE, BUT THAT IN 1973 COSTS ROSE 25 PERCENT, ANOTHER 57 PERCENT IN 1974, AND ANOTHER 55 PERCENT IN THE NEXT TWO YEARS. COSTS THUS TRIPLED IN THE PERIOD 1972-76 AND ONLY THE HIGH WORLD MARKET PRICES IN THOSE YEARS SAVED MAURITIUS FROM CATASTROPHE. SINCE IMPORTED INFLATION CANNOT BE CONTROLLED, THE CHAMBER ARGUED, SOMETHING MUST BE DONE TO HOLD DOWN CONTROLLABLE COSTS, SUCH AS WAGES AND SALARIES, WHICH REPRESENT 42 PERCENT OF THE TOTAL COST OF PRODUCTION.

PRODUCTIVITY MUST BE RAISED AND THE PERIOD OF THE HARVEST REDUCED TO FOUR MONTHS. (COMMENT: THE MOST SURPRISING ASPECT IS THAT THE SUGAR INDUSTRY HAS BEEN ABLE TO MAINTAIN ITS SECRETIVENESS ALL THESE YEARS. IT CLAIMS IT JEALOUSLY GUARDED THE SECRET AS TO COST OF PRODUCTION BECAUSE IT WISHED TO OBTAIN THE CONFIDENTIAL

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HIGHEST POSSIBLE PRICE FROM THE UK, WHICH USED TO TAKE NEARLY ALL OF THE COUNTRY'S SUGAR EXPORTS.)

11. THE MMM'S LE MILITANT PUBLICIZED THE 1975 ANNUAL REPORT OF THE ONLY SUGAR FACTORY OWNED BY THE GOVERNMENT, ROSE BELLE, WHICH MADE A NET PROFIT OF 19 MILLION RUPEES IN 1975. THE FACTORY WAS NATIONALIZED IN 1973 AT A COST TO THE GOVERNMENT OF 21 MILLION RUPEES. THE 19 MILLIONS OF PROFITS WERE DISTRIBUTED AS FOLLOWS: 6.7 MILLION TO THE GOVERNMENT IN THE FORM INCOME TAX; 5 MILLION TO THE GOVERNMENT AS DIVIDENDS; 7.3 MILLION TO BE REINVESTED BY THE ROSE BELLE COMPANY IN DEVELOPMENT AND DIVERSIFICATION PROJECTS. LE MILITANT CONCLUDES THAT THESE OUTSTANDING RESULTS ARGUE FOR MORE NATIONALIZATIONS OF SUGAR FACTORIES, AS CALLED FOR BY THE MMM PROGRAM. THE MMM WILL PROPOSE MORE NATIONALIZATIONS IN THE ASSEMBLY SESSION OF MARCH 15. LE MILITANT DID NOT MENTION THAT SUGAR PRICES WERE EXTRAORDINARILY HIGH IN 1975. THE APPOINTED ADMINISTRATOR OF THE ROSE BELLE COMPANY IS SIR CLAUDE NOEL, THE PROTOTYPE OF THE MAURITIAN CAPITALIST. LE CERNEEN DISCLOSED THAT IN 1976, WITH THE FALL IN SUGAR PRICES FROM 1974-75 HIGHS, THE ROSE BELLE COMPANY PAID ONLY 750,000 RUPEES IN DIVIDENDS, OR ABOUT 4 PERCENT ON INVESTED CAPITAL.  
KEELEY

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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009